
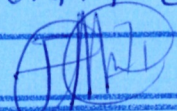


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 JUN 2019	DAY: TUESDAY
TABLED BY: MAJORITY LEADER	REPORT OF
CLERK-AT THE TABLE: 	

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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
MSAMBWENI CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2018**



Revised Template 30th June 2018



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MSAMBWENI
CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector
Accounting Standards (IPSAS)

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018

	Page
Table of Content	
I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT	1
II. FORWARD BY THE NGCDF COMMITTEE CHAIRMAN	4
III. STATEMENT OF NGCDF COMMITTEE MANAGEMENT RESPONSIBILITIES	5
IV. STATEMENT OF RECEIPTS AND PAYMENTS	6
V. STATEMENT OF ASSETS AND LIABILITIES	7
VI. STATEMENT OF CASHFLOW	8
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	9
VIII. SIGNIFICANT ACCOUNTING POLICIES	11
IX. NOTES TO THE FINANCIAL STATEMENTS.....	15

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The National Government Constituencies Development Fund (NG-CDF) (hereafter referred to as the Fund) formerly Constituencies Development Fund (CDF), is a fund established in 2003 through an Act of Parliament, the Constituencies Development Fund Act, 2003. The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013. The latter was subsequently succeeded by the current NG-CDF Act, 2015. At cabinet level, NG-CDF is represented by the Cabinet Secretary for Devolution, who is responsible for the general policy and strategic direction of the Fund.

Mandate

The mandate of the Fund as derived from sec (3) of NG-CDF Act, 2015 is to:

- a) Recognize the constituency as a platform for identification, performance and implementation of national government functions;
- b) Facilitate the performance and implementation of national government functions in all parts of the Republic pursuant to Article 6(3) of the Constitution;
- c) Provide for the participation of the people in the determination and implementation of identified national government development projects at the constituency level pursuant to Article 10(2)(a) of the Constitution;
- d) Promote the national values of human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalized pursuant to Article 10 (2) (b) of the Constitution;
- e) Provide for the sustainable development of all parts of the Republic pursuant to Article 10 (2) (d) of the Constitution;
- f) Provide a legislative and policy framework pursuant to Article 21 (2) of the Constitution for the progressive realization of the economic and social rights guaranteed under Article 43 of the Constitution;
- g) Provide mechanisms for the National Assembly to deliberate on and resolve issues of concern to the people as provided for under Article 95 (2) of the Constitution;
- h) provide for a public finance system that promotes an equitable society and in particular expenditure that promotes equitable development of the country by making special provisions for marginalized groups and areas pursuant to Article 201 (b) (iii) of the Constitution;
- i) Authorize withdrawal of money from the Consolidated Fund as provided ' under Article 206 (2) (c) of the Constitution;
- j) Provide mechanisms for the National Assembly to facilitate the involvement of the people in the identification and implementation of projects for funding by the national government at the constituency level; and
- k) Provide for mechanisms for supplementing infrastructure development at the constituency level in matters falling within the functions of the national government at that level in accordance with the Constitution

Vision

Equitable Socio-economic development countrywide

Mission

To provide leadership and policy direction for effective and efficient management of the Fund

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

MSAMBWENI CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2018

Core Values

1. **Patriotism** – we uphold the national pride of all Kenyans through our work
2. **Participation of the people**- We involve citizens in making decisions about programmes we fund
3. **Timeliness** – we adhere to prompt delivery of service
4. **Good governance** – we uphold high standards of transparency, accountability, equity, inclusiveness and integrity in the service of the people
5. **Sustainable development** – we promote development activities that meet the needs of the present without compromising the ability of future generations to meet their own needs.

(a) Key Management

The NGCDF MSAMBWENI day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NGCDFB)
- ii. National Government Constituency Development Fund Committee (NGCDFC)

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Peter M. Mwaighonda
3.	Sub-County Accountant	Peter Musila
4.	Chairman NGCDFC	Muhsin A. Kitwana

(c) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of NGCDF -MSAMBWENI Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the Constituency Committee for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

(d) NGCDF MSAMBWENI Constituency Headquarters

P.O. Box 243-80400
Msambweni NG-CDF Office
Likoni/Lungalunga Road
Ukunda, KENYA

(f) NGCDF Msambweni Constituency Contacts

Telephone: (254) 724169951
E-mail: msambweningcdf.go.ke
Website: www.go.ke

(g) NGCDF Msambweni Constituency Bankers

1. Cooperative Bank of Kenya
Ukunda Branch
P.O. Box 568-80400
Ukunda, Kenya

(h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

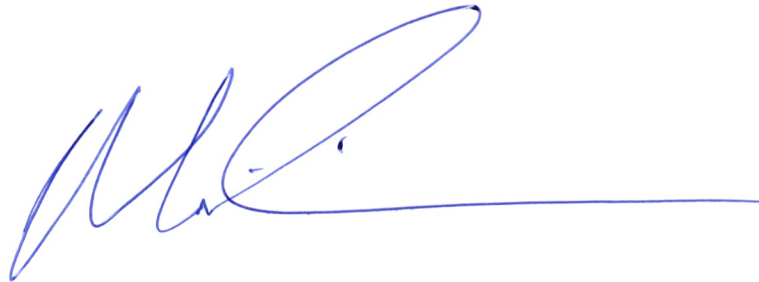
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II.. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

The NG-CDFC wish to have in summary the budget performance against actual amounts for current year based on economic classification and programmes. The NG-CDF has improved the education and security infrastructures of Msambweni Constituency.

However, there have been emerging issues like political, economic, social, legal and global challenges influencing the implementation of NG-CDF projects. Other issues affecting the project implementation process is the late disbursement of funds, late approvals of proposals and reallocations.

The NG-CDF Committee wish to advice that the issues of having the projects on going for more than 2 years be discouraged by ensuring that projects are allocated enough funds based on real cost estimates. Further, the NG-CDF Board should reduce the rate of staff turnovers in constituencies' i.e. FAM transfers.



Sign

CHAIRMAN NGCDF COMMITTEE

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the NGCDF-MSAMBWENI Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the NGCDF-MSAMBWENI Constituency accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF-MSAMBWENI Constituency further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NGCDF-MSAMBWENI Constituency confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NGCDF-MSAMBWENI Constituency financial statements were approved and signed by the Accounting Officer on 28/9/2018.



Fund Account Manager
Name: Peter M. Mwaighonda



Sub-County Accountant
Name: Peter Musila
ICPAK Member Number: 9984

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MSAMBWENI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Msambweni Constituency set out on pages 6 to 30, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and a summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Msambweni Constituency as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

1.0 Transfer to Other Government Units

1.1 Payments for Works Not Done

The statement of receipts and payments for the year ended 30 June 2018 reflect a transfer to other government units balance of Kshs.35,800,800. This amount includes transfer to primary schools, Kshs.16,400,000, transfer to secondary schools Kshs.5,400,000 and transfer tertiary institutions of Kshs.14,000,000 as detailed in note 6 to the financial statements. However, physical verification during the month of February 2019 revealed that payments totaling to Kshs.890,160 had been paid for works that had either not been done or partly done as detailed below;

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund – Msambweni Constituency for the year ended 30 June 2018

	Project Name	Allocation (Kshs)	PMC Payments Kshs	Cost of works not Done Kshs	Project Status	Observations
1	Msambweni primary school - proposed renovation of 4No. classrooms	2,000,000	1,999,999	0	Complete and in use	Payments not supported by certificate of measured works
2	Duncan Ndegwa Primary school- Construction of 3 No. classrooms	3,600,000	3,326,897	91,800	Complete and in use	BOQ provided for pre-painted iron sheets 28G and ridge @ 370,800 but a 30G iron sheet and ridge was used. 3" steel pipes for verandah provided for 11 but only 7 was installed Payment certificate not supported by certificate of measured works
3	Muhaka primary school - Proposed renovations of 4No. Classrooms at Muhaka primary school	2,000,000	1,411,2017	538,920	Complete and in use	Reinforcement which include 8mm square twisted bar , 12mm square twisted bar and 15 no. 3" steel pipes provided for in the BOQ at Kshs.344,250 were not done at all. 28 LM window sill provided for @Kshs.33,600 was not done and 12No. 1800*1500 mm windows provided for kshs.72,000 were not done instead 12 No. 1500*1500mm which had a provision of 4No. in the BOQ were done. Curred cypruss timber for roofing provided for in the BOQ@Kshs.148,980 and 93LM fascia board @12,090 were not replaced instead the same old timber which was there were used. 500No. 28G iron sheets and 36No. heavy gauge ridget provided for at Kshs200,000 and 10,440 were not done instead they used 30G iron sheets and ridge. Payment certificate not supported by measured works.

	Project Name	Allocation (Kshs)	PMC Payments Kshs	Cost of works not Done Kshs	Project Status	Observations
4	Masindeni primary school-proposed construction of 2No.classrooms	2,400,000	2,400,000	136,240	Complete and in use	Reinforcements (8mm and 12mm square twisted high tensile bars) provided for @ 84,240 were not done. 3" steel pipes were provided for 8no.@2500 But only six were done= 15,000, 200No. 28G iron sheets were provided for @180,000 and 18no.28G heavy gauge ridge instead 30G iron sheets and ridge were used. Rain water disposal provided for at Kshs.37,000 were not done at all. Interim payment certificates not supported by certificate of measured works
5	Dori girls Secondary school-proposed construction of 48 capacity dormitory	3,000,000	2,787,931	123,200	Complete and in use	Reinforcement in assorted size Y8 and Y12 provided for at Kshs.87,000 were not done. 228SM 28G iron sheets provided for in the BOQ were not done instead 30G iron sheets were used, 12LM UPVC rain water down pipes, 4 NO. goose neck bend and 4NO. Goose neck shoe all provided for at Kshs.5,200 were not done, BQ provided for 2no double door leaf @14,000 but only 1 was done = 7,000. 6No.ceiling fan provided for @ 6000 but only 2 were done= 24,000. Interim payment certificates not supported by measured works
	Total	13,000,000	11,926,034	890,160		

Under the circumstances, it has not been possible to confirm regularity of Kshs.890,160 incurred on transfer to other government entities for the year ended 30 June 2018.

1.2 Transfer to Youth and Opportunity Centre Project

As reported in the previous year, the statement of receipts and payments for the year ended 30 June 2018 reflect a transfer to other government units balance of Kshs.35,800,800. Included in this amount is Kshs.14,000,000 being transfers to project management committee for construction of Msambweni Youth Opportunity Centre.

Physical verification of the project revealed that project was not complete. The project was at plastering stage with partial works on roofing done. However, the contractor was not on site with evidence the works had stalled for some time.

Further, no evidence was availed to confirm that the ownership of the land had been transferred to the National Government Constituencies Development Fund - Msambweni Constituency as required by Section 2.11(k) of the National Government Constituencies Development Fund Regulation, 2015 which requires that where a project involves of building or land ensure that the ownership is duly verified.

Under the circumstances, the propriety of Kshs.14,000,000 transferred for construction of youth opportunity Centre Project for the year ended 30 June 2018 could not be confirmed.

2.0 Other Grants and Transfers

2.1 Unsupported Bursary Payments

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and transfers of Kshs.31,966,707 as detailed in note 7 to the financial statement. This amount includes Bursary disbursements of Kshs.22,730,500. Records availed for audit indicated the National Government Constituency Development Fund Msambweni bursary sub-committee approved bursary allocation of Kshs.400,000 to two private colleges without evidence of the applicants enrolment into the institutions.

Consequently, the propriety of Kshs.400,000 bursary disbursed during the year ended 30 June 2018 could not be confirmed.

2.2 Emergency

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and transfers of Kshs.31,966,707 as detailed in note 7 to the financial statements. This amount includes emergency transfer of Kshs.4,500,000 in respect Munje primary school, Kigwende primary school and Mwaroni primary School. Physical verification during the month of February 2019 indicated that works amounting to Kshs.477,900 were not done as per specifications and Kshs.250,000 spent as provisional sums was not supported with evidence of actual works done as detailed below;

	Project Name	PMC Payments Kshs.	Cost of Works Not Done Kshs	Observations
1.	Mwaroni primary school – Renovation of 3 classrooms	1,500,000	265,600	6CM of vibrated reinforced concrete to columns at Kshs.54,000 was not done; 165 SM Sawn form work to column at Kshs.115,000 was not done; installed only 3 (2") of the required 12No (3") steel pipes to verandah (2500mm) at Kshs.36,000; No window sill was done costing Kshs.33,600; No evidence on how the provisional sums of Kshs.100,000 for project management was utilized.
2.	Munje primary school - Renovation of 3 classrooms	1,500,000	50,000	Supply and fix pre-painted iron sheets 28G with matching ridge costing Kshs.364,500 & Kshs.15,000 respectively but used 30G; = Kshs.379,500 No evidence how the provisional sum of Kshs.50,000 on project management was utilized.
3.	Kingwede Primary School - Renovation of 3 classrooms	1,500,000	162,300	Painting works was approved for 3 coats both internally & externally at 126,900 but only 1 coat was applied; 12 No. 3" steel pipes for verandah 2500mm at a cost of 30,000 but only 6 were installed; =Kshs.99,600 6No. 50mm thick panelled single door 900x2400mm including 4mm thick glass fan light costing 60,000 but only 3 were fitted and they did not include the 4mm thick glass fan light; Kshs.30,000

	Project Name	PMC Payments Kshs.	Cost of Works Not Done Kshs	Observations
				<p>Supply and fix pre-painted iron sheets 28G with matching ridge at a cost of Kshs.240,000 and Kshs.10,800 but 30G was fixed; = Kshs.250,800</p> <p>No rain disposal fittings at a cost of Kshs.30,900 was undertaken (no gutters in place to warrant rain water disposal inclusion in BQ); =Kshs.30,900</p> <p>Supply building coral blocks & seal/fill the entire eaves and plaster and paint at a cost of Kshs.1,800 was not done; Kshs.1,800 =Kshs.382,200</p> <p>No documentary evidence for utilization of Kshs.100,000 provisional sum on project management.</p>
	Total	4,500,000	477,900	

Under the circumstances, it has not been possible to confirm propriety of Kshs.477,900 incurred on transfer to other government entities for the year ended 30 June 2018.

2.3 Sports

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and other payments of Kshs.31,966,707 as detailed in note 7 to the financial statements. This amount includes Kshs.1,736,206.90 incurred in sports project. However, no evidence of requisition from the teams was availed to confirm how the project was initiated. In addition, the Issue Notes (S11) provided did not indicate the quantities received by the sports team representatives.

Records availed indicated that the Project Management Committee membership composition was observed to be drawn from staff of the Fund and not members elected or nominated from the public. Contrary to Section 15(6) of the National Government Constituency Development Regulations, 2016 which states that a constituency committee shall not convert itself into a project management committee.

Consequently, the propriety of Kshs.1,736,206.90 spent on sports project for the year ended 30 June 2018 could not be confirmed.

3.0 Cash Balance

The statement of assets and liabilities as at 30 June 2018 reflects Nil cash at hand balance. The cash count certificate availed for audit indicated a Nil balance while the official receipts availed for audit verification indicate that Kshs.29,000 was collected in cash from sale of tender documents. The management failed to provide evidence that this amount was banked or kept in the cashbox of the National Government Constituencies Development Fund - Msambweni Constituency.

Consequently, the accuracy and validity of the Nil Cash balance as at 30 June 2018 could not be confirmed.

4.0 Prior Year Adjustment

As reported in the previous year the statement of assets and liabilities as at 30 June 2018 reflects comparative prior year adjustment of Kshs.500,000. This is in contravention of the International Public Sector Accounting Standards No 3 which requires that the amount of correction of an error that relates to prior period should be reported by adjusting the opening balance of accumulated surplus or deficit.

Consequently, the prior year adjustment of Kshs.500,00 in the year ended 30 June 2017 is not in line with the accounting standards.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.2 Revenue Budget

During the year under review, National Government Constituencies Development Fund – Msambweni Constituency had a revenue budget of Kshs.104,140,248 against actual receipts of Kshs.92,760,938 or 89%, resulting to an under disbursement of budget of Kshs.11,379,310 or 11% from the Constituency Development Fund Board.

Failure by the Board to disburse funds as per the budget, may adversely affect delivery of goods and services to the residents of Msambweni Constituency contrary to values and principles of public service as provided for under Article 232 (1 - c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services. Also there is need for the management to re-evaluate its budget process with a view to coming up with a budget which can be fully funded by the National Government.

1.3 Expenditure Budget

The summary statement of appropriation recurrent and development combined reflects a final budget of Kshs.104,140,248 and actual expenditure was Kshs.76,189,363 resulting to under absorption of Kshs.27,950,885(27%) as summarized below;

Expense Item	Budgeted (Kshs.)	Actual Expenditure (Kshs)	Under absorption (Kshs)	% Absorption
Compensation of Employees	3,860,882	2,048,955	1,811,927	47%
Use of goods and services	11,497,721	6,373,701	5,124,020	45%
Transfers to Other Government Units	47,141,379	35,800,000	11,341,379	24%
Other grants and transfers	35,963,239	31,966,707	3,996,532	11%
Acquisition of Assets	1,000,000	0	1,000,000	100%
Other Payments	4,677,027	0	4,677,027	100%
TOTALS	104,140,248	76,189,363	27,950,885	27%

The underutilization of Kshs.27,950,885 or 27 % is an indication that the residents of Msambweni constituency did not receive the planned goods and services. Although the management has indicated that the unutilized funds were received at the close of the financial year, there is need for the management to review the budget mechanism with a view to speeding the project implementation time for better delivery of service.

1.4 Project implementation

According to the project implementation status report as at 30 June 2018, the fund budgeted for twenty seven (29) projects with a total budget of Kshs.61,292,337.82 as detailed in the table below;

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
1.	2017/18	Emergency	To cater for any unforeseen occurrences in the constituency during the financial year	5,137,931.03	Complete	Funds utilized for emergency cases in Kingwede, Munje and Mwaroni Primary Schools
2.		Mwaroni Primary School	Renovation of 3 classrooms		Complete	1,500,000 funded from emergency
3.		Munje Primary School	Renovation of 3 classrooms		Complete	1,500,000 funded from emergency
4.		Kingwede Primary School	Renovation of 3 classrooms		Complete	1,500,000 funded from emergency
5.		Vingujini Primary School	Renovation of 1 classroom		Complete	568,965.51 funded from emergency
6.	2017/18	Marigiza Primary School	Construction of 2No. New Classrooms at Marigiza Primary School	2,400,000.00	Not Started	Funds Re allocated to Ganja La Simba Primary School
7.	2017/18	Ganja La Simba primary school	Renovation of four classrooms and construction of 4 doors pit latrine		Complete	Re-allocation from Marigiza Primary School complete and in use
8.	2017/18	Duncan Ndegwa Primary School	Construction of 3No. New Classrooms at Duncan Ndegwa Primary School	3,600,000.00	Complete	Completed and in use
9.	2017/18	Magodi Primary School	Renovation of 1No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at 500,000,renovation of staffroom at	2,000,000.00	Complete	Completed and in use

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
			1,000,000 & Construction of 4No. Door pit latrines at 500,000 at Magodi Primary School			
10	2017/18	Vingujini Primary School	Renovation of 3No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Vingujini Primary School	1,441,379.59	Complete	Completed and in use
11	2017/18	Msambweni Primary School	Renovation of 4No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Msambweni Primary School	2,000,000.00	Complete	Completed and in use
12	2017/18	Madago Primary School	Renovation of 4No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Madago Primary School	2,000,000.00	Funds re allocated to Mvinden Primary School	
13	2017/18	Masindeni Primary School	Construction of 2No. New Classrooms at Masindeni Primary School	2,400,000.00	Complete	Complete and in use
14	2017/18	Muhaka Primary School	Renovation of 4No. classroom i.e plastering,	2,000,000.00	Complete	Complete and in use

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
			roofing, ceiling, painting & electricity at Muhaka Primary School			
15	2017/18	Mwakigwena Primary School	Renovation of 4No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Mwakigwena Primary School	2,000,000.00	Complete	Complete and in use
16	2017/18	Mwamambi Primary School	Construction of 2No. New Classrooms at Mwamambi Primary School	2,400,000.00	Complete	Complete and in use
17	2017/18	Kiranga Secondary School	Purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
18	2017/18	Mwamzandi Secondary School	Purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
19	2017/18	Mvindenii Seconadry School	Purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
20	2017/18	Bongwe Secondary School	purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
21	2017/18	Dori Girls Secondary School	purchase of laboratory equipments	500,000.00	Complete	Awaiting handing over
22	2017/18	Mkwakwani Secondary School	Construction of 2No. New Classrooms at Mkwakwani Secondary School	2,400,000.00	Complete	Complete and in use
23	2017/18	Dori Girls Secondary School	Construction of a Dormitory at Dori Girls	3,000,000.00	Complete	Complete and in use

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
			Secondary School			
24	2017/18	Dori Girls Secondary School	Construction of a Dormitory at Dori Girls Secondary School	3,000,000.00	Ongoing	Roofing stage
25	2017/18	ICT Hub	Installation of ICT equipments in the Constituency for the four wards namely Ukunda, Ramisi, Kinondo and Gombato Bongwe Ward	4,677,027.20	Not Started	Not Started
26	2017/18	Kilole Assistant Chief's Office	Construction of a 2No. Door Pit Latrine 250,000 and Purchase of a Water Tank 86,000 at Kilole Assistant Chief's Office	336,000.00	Complete	Awaiting handing over
27	2017/18	Mivumoni Location Chief's office Social Hall	Construction of a Social Hall at Mivumoni Location Chief's Office	3,000,000.00	Complete	Complete and in use
28	2017/18	NG-CDF Office	Construction of a perimeter wall and Security shade at NG-CDF Office phase 1	1,000,000.00	Not Started	Re allocated to renovation of 1 classroom in Vingujini for 500,000 and 500,000 for fixing of window grills in Msambweni NG CDF office

Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
29 2017/18	Msambweni Youth and Opportunity Centre	Completion of a youth opportunity Centre within the constituency i.e Ring beam and roofing of studio, computer lab, library, 3No. Classrooms, Staffroom, Administration Block, Main Conference Hall, Shop, Rest Area, Gate and Superstructure for Studio, Computer Lab, Library and Staffroom	14,000,000	Ongoing	Roofing stage
Total			61,292,337.82		

A review of the project status report indicated that:

- i) 19 projects of Kshs.29,077,379.59 were complete and in use
- ii) 2 projects with a total allocation of Kshs.17,000,000 were ongoing
- iii) 1 project allocated Kshs.4,677,027.20 had not been started despite funding.
- iv) 3 projects allocated Kshs.5,400,000 had their funds re-allocated to 4 other projects
- v) 4 projects were complete using Emergency funds of Kshs.5,137,931.03

There is need, therefore, for the to hasten the implementation of the ongoing projects to ensure Residents of Msambweni Constituency obtain value for money.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the National Government Constituency development Fund – Msambweni constituency ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the National Government Constituency development Fund – Msambweni constituency or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the National Government Constituency development Fund – Msambweni constituency financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

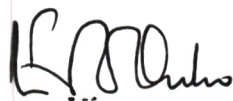
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Government Constituency development Fund – Msambweni constituency ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the National Government Constituency development Fund - Msambweni constituency to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the National Government Constituency development Fund – Msambweni constituency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 April 2019

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

MSAMBWENI CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2018

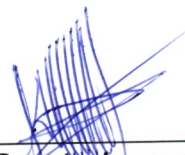
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
RECEIPTS			
Transfers from NGCDF board	1	86,810,345	145,636,140
Proceeds from Sale of Assets	2	0	0
Other Receipts	3	<u>0</u>	<u>52,000</u>
TOTAL RECEIPTS		86,810,345	145,688,140
PAYMENTS			
Compensation of employees	4	2,048,955	2,988,333
Use of goods and services	5	6,373,701	8,917,000
Transfers to Other Government Units	6	35,800,000	97,884,803
Other grants and transfers	7	31,966,707	43,850,378
Acquisition of Assets	8	0	500,000
Other Payments	9	<u>0</u>	<u>1,000,000</u>
TOTAL PAYMENTS		76,189,363	155,140,514
SURPLUS/(DEFICIT)		<u>10,620,982</u>	<u>(9,452,374)</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Msambweni Constituency financial statements were approved on 28/6 2018 and signed by:



Fund Account Manager
Name: Peter M. Mwaighonda



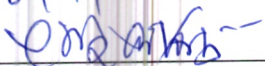
Sub-County Accountant
Name: Peter Musila
ICPAK Member Number: 9984


NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018

V. STATEMENT OF ASSETS AND LIABILITIES

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	16,571,575	5,950,593
Cash Balances (cash at hand)	10B	<u>0</u>	<u>0</u>
Total Cash And Cash Equivalents		16,571,575	5,950,593
Current receivables -Outstanding Imprests	11	<u>0</u>	<u>0</u>
Total Financial Assets		16,571,575	5,950,593
Financial Liabilities			
Accounts payable - Retention	12	<u>0</u>	<u>0</u>
NET FINANCIAL ASSETS		<u>16,571,575</u>	<u>5,950,593</u>
REPRESENTED BY			
Fund balance b/fwd 1st July...	13	5,950,593	14,902,967
Surplus/Defict for the year		10,620,982	(9,452,374)
Prior year adjustments	14	<u>0</u>	<u>500,000</u>
NET LIABILITIES		<u>16,571,575</u>	<u>5,950,593</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-MSAMBWENI Constituency financial statements were approved on 28/9 2018 and signed by:

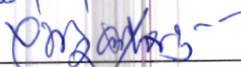

Fund Account Manager
Name: Peter M. Mwaighonda

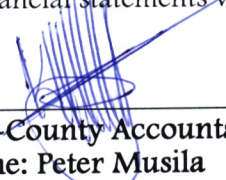

Sub-County Accountant
Name: Peter Musila
ICPAK Member Number: 9984

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)**MSAMBWENI CONSTITUENCY****Reports and Financial Statements****For the year ended June 30, 2018****VI. STATEMENT OF CASHFLOW**

		2017 - 2018	2016 - 2017
Receipts for operating income			
Transfers from NGCDF Board	1	86,810,345	145,636,140
Other Receipts	3	0	52,000
		86,810,345	145,688,140
Payments for operating expenses			
Compensation of Employees	4	2,048,955	2,988,333
Use of goods and services	5	6,373,701	8,917,000
Transfers to Other Government Units	6	35,800,000	97,884,803
Other grants and transfers	7	31,966,707	43,850,378
Other Payments	9	0	1,000,000
		(76,189,363)	(154,640,514)
Adjusted for:			
Adjustments during the year	14	0	500,000
Net cash flow from operating activities		10,620,982	(8,452,374)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	0	0
Acquisition of Assets	9	0	(500,000)
Net cash flows from Investing Activities		0	(500,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		10,620,982	(8,952,374)
Cash and cash equivalent at BEGINNING of the year	13	5,950,593	14,902,967
Cash and cash equivalent at END of the year		<u>16,571,575</u>	<u>5,950,593</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-MSAMBWENI Constituency financial statements were approved on 28/9/2018 2018 and signed by:


 Fund Account Manager
 Name: Peter M. Mwaighonda


 Sub-County Accountant
 Name: Peter Musila
 ICPAK Member Number: 9984

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from NGCDF Board	86,810,345	17,329,903	104,140,248	92,760,938	11,379,310	89%
Proceeds from Sale of Assets	0	0	0	0		0
Other Receipts	0	0	0	0		0
	86,810,345	17,329,903	104,140,248	92,760,938	11,379,310	89%
PAYMENTS						
Compensation of Employees	2,558,926	1,301,956	3,860,882	2,048,955	1,811,927	53%
Use of goods and services	6,754,005	4,743,715	11,497,721	6,373,701	5,124,020	55%
Transfers to Other Government Units	40,200,000	6,941,379	47,141,379	35,800,000	11,341,379	76%
Other grants and transfers	31,620,387	4,342,853	35,963,239	31,966,707	3,996,532	89%
Acquisition of Assets	1,000,000	0	1,000,000	0	1,000,000	0
Other Payments	4,677,027	0	4,677,027	0	4,677,027	0
TOTALS	86,810,345	17,329,903	104,140,248	76,189,363	27,950,885	73%


- (a) *Transfers from NG CDF Board utilization of 89% ; the low utilization was caused by the supplementary budget that was approved after 30th June 2018.*
- (b) *Underutilization of compasation of employees fund at 53%; this was due to money held meant for staff gratuity which is supposed to be paid after completion of the employment contract.*
- (c) *Use of goods and services at 55% ; part of these funds were to be from the supplementary budget that was approved after 30th June 2018 – for the office to continue its smooth operations, it was necessary to have some reserve since the board does not disburse funds on time.*
- (d) *Transfer to other government units at 76%; the board did not disburse the funds to NG CDFC on time.*

Reports and Financial Statements

For the year ended June 30, 2018

- (e) *Other grants & other transfers at 89% ; the board did not disburse the funds to NG CDFC on time.*
- (f) *Acquisition of assets at 0% ; the project of fencing the NG CDF Office could not be implemented on time due to delay in preparation of Bill of Quantities and drawings by the technical department.*
- (g) *Other payments at 0% ; the project could not be implemented on time since the NG CDFC was waiting for guidelines on how to implement the ICT Hubs.*

The NGCDF-MSAMBWENI Constituency financial statements were approved on 28/9 2018 and signed by:



Fund Account Manager
Name:



Sub-County Accountant
Name:
ICPAK Member Number:

VIII. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the NGCDF-MSAMBWENI Constituency. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

Transfers from the Exchequer

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

SIGNIFICANT ACCOUNTING POLICIES

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

b) Recognition of payments

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

5. In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

7. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

8. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

9. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

10. Unutilized Funds

Unutilized funds consist of bank balances in the constituency account and previous year(s) balances not yet disbursed by the Board to the constituency at the beginning of the financial year. These balances are available for use in the year under review to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(1) of NGCDF Act, 2015.

SIGNIFICANT ACCOUNTING POLICIES

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1st July 2017 to 30th June 2018 as required by Law and there was one supplementary adjustment to the original budget during the year. Included in the adjustments are the unutilized funds.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

12. Comparative Figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2018.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 14 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO. A855943	1	5,500,000	
AIE NO. A892788	2	37,905,172	
AIE NO. A896843	3	21,000,000	
AIE NO. A896914	4	22,405,173	
AIE NO. A825880	1		54,239,588
AIE NO. A829937	2		4,094,828
AIE NO. A839544	3		2,000,000
AIE NO. A839624	4		36,853,449
AIE NO. A855565	5		36,648,275
AIE NO. A855202	6		7,500,000
AIE NO. A839712	7		4,300,000
TOTAL		86,810,345	145,636,140

2. PROCEEDS FROM SALE OF ASSETS

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment		
Receipts from sale of office and general equipment		
Receipts from the Sale Plant Machinery and Equipment		
Total		

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2017- 2018 Kshs	2016-2017 Kshs
Interest Received	0	0
Rents	0	0
Receipts from Sale of tender documents	0	52,000
Other Receipts Not Classified Elsewhere	0	0
Total	0	52,000

4. COMPENSATION OF EMPLOYEES

	2017-2018 Kshs	2016-2017 Kshs
Basic wages of contractual employees	1,562,075	1,407,301
Basic wages of casual labour	0	0
Personal allowances paid as part of salary		
House allowance	201,500	199,500
Transport allowance	201,500	199,500
Leave allowance	0	0
Gratuity	0	1,015,952
Employer contribution to NSSF	83,880	166,080
Other personal payments	0	
Total	2,048,955	2,988,333

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Committee Expenses – M & E	1,444,200	0
Utilities, supplies and services	66,039	102,915
Communication, supplies and services	338,100	207,660
Domestic travel and subsistence	571,800	824,700
Printing, advertising and information supplies & services	0	85,345
Rentals of produced assets	0	64,800
Training expenses	1,087,000	1,111,000
Hospitality supplies and services	0	0
Insurance costs	0	0
Bank service commission and charges	15,920	0
Office and general supplies and services	491,289	594,810
Other operating expenses	0	0
Routine maintenance – vehicles and other transport equipment	621,563	873,060
Routine maintenance – other assets	230,150	55,000
Fuel, oil & lubricants	427,640	430,550
Other committee expenses	0	0
Committee allowances	1,080,000	4,567,160
Total	6,373,701	8,917,000

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. **TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to National Government entities		
Transfers to primary schools (see attached list)	16,400,000	41,264,803
Transfers to secondary schools (see attached list)	5,400,000	26,420,000
Transfers to tertiary institutions (see attached list)	14,000,000	30,200,000
Transfers to health institutions (see attached list)	0	0
TOTAL	35,800,000	97,884,803

7. **OTHER GRANTS AND OTHER PAYMENTS**

	2017-2018	2016- 2017
	Kshs	Kshs
Bursary – secondary schools (see attached list)	17,181,500	16,600,200
Bursary – tertiary institutions (see attached list)	5,497,000	8,864,800
Bursary – special schools (see attached list)	52,000	30,000
Mock & CAT (see attached list)	0	0
Security projects (see attached list)	3,000,000	9,615,378
Sports projects (see attached list)	1,736,207	1,000,000
Environment projects (see attached list)	0	0
Emergency projects (see attached list)	4,500,000	4,500,000
Water	0	3,240,000
Total	31,966,707	43,850,378

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2017-2018 Kshs	2016-2017 Kshs
Purchase of Buildings	0	0
Construction of Buildings	0	0
Refurbishment of Buildings	0	0
Purchase of Vehicles and Other Transport Equipment	0	0
Overhaul of Vehicles and Other Transport Equipment	0	0
Purchase of Household Furniture and Institutional Equipment	0	0
Purchase of Office Furniture and General Equipment	0	0
Purchase of ICT Equipment, Software and Other ICT Assets	0	0
Purchase of Specialised Plant, Equipment and Machinery	0	0
Rehabilitation and Renovation of Plant, Machinery and Equip.	0	0
Acquisition of Land	0	500,000
Acquisition of Intangible Assets	0	0
Total	0	500,000

9. OTHER PAYMENTS

	2017-2018	2016-2017
	Kshs	Kshs
Strategic plan	0	0
ICT Hub	0	0
TIVET	0	0
NG CDF Lungalunga	0	1,000,000
	0	1,000,000

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
<i>Cooperative Bank, Account No.01120043594500</i>	16,571,575	5,950,593
Total	16,571,575	5,950,593
10B: CASH IN HAND		
Location 1	0	0
Location 2	0	0
Location 3	0	0
Other Locations (<i>specify</i>)	0	0
Total	0	0
<i>[Provide cash count certificates for each]</i>		

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY**
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Total</i>				<u><u>0</u></u>

[Include an annex of the list is longer than 1 page.]

12 RETENTION

	2017 - 2018 Kshs	2016-2017 Kshs
Supplier 1	0	0
Supplier 2	0	0
Supplier 3	0	0
Total	<u><u>0</u></u>	<u><u>0</u></u>

[Provide short appropriate explanations as necessary]

13. BALANCES BROUGHT FORWARD

	2017-2018 Kshs	2016-2017 Kshs
Bank accounts	5,950,593	14,639,107
Cash in hand	0	0
Imprest	0	263,860
Total	<u><u>5,950,593</u></u>	<u><u>14,902,967</u></u>

[Provide short appropriate explanations as necessary]

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRIOR YEAR ADJUSTMENTS

	2017- 2018 Kshs	2016-2017 Kshs
Bank accounts	0	500,000
Cash in hand	0	0
Imprest	0	0
Total	0	500,000

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017- 2018 Kshs	2016-2017 Kshs
Construction of buildings	0	0
Construction of civil works	0	0
Supply of goods	0	0
Supply of services	0	0
	0	0

15.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Senior management	0	0
Middle management	0	0
Unionisable employees	0	0
Others (<i>specify</i>)	0	0
	0	0

15.3: UNUTILIZED FUNDS (See Annex 3)

	Kshs	Kshs
Compensation of employees	1,811,927	1,739,647
Use of goods and services	5,124,020	3,392,525
Amounts due to other Government entities (see attached list)	11,341,379	0
Amounts due to other grants and other transfers (see attached list)	3,996,532	818,421
Acquisition of assets	1,000,000	0
Others (<i>strategic plan & ICT Hub</i>)	4,677,027	0
	27,950,885	5,950,593

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.4: PMC account balances (See Annex 5)

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	32,243,967	20,428,979.90
	32,243,967	20,428,979.90

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)- MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDFC) – MSAMBWENI CONSTITUENCY

**Reports and Financial Statements
For the year ended June 30, 2018**

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
	Sub-Total						
Middle Management							
4.							
5.							
6.							
	Sub-Total						
Unionisable Employees							
7.							
8.							
9.							
	Sub-Total						
Others (specify)							
10.							
11.							
12.							
	Sub-Total						
	Grand Total						

Reports and Financial Statements

For the year ended June 30, 2018

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/17	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2017/18
Land	1,500,000	0	0	1,500,000
Buildings and structures	7,000,000	0	0	7,000,000
Transport equipment	3,250,000			3,250,000
Office equipment, furniture and fittings	1,505,790			1,505,790
ICT Equipment, Software and Other ICT Assets	777,999			777,999
Other Machinery and Equipment	0			0
Heritage and cultural assets	0			0
Intangible assets	0			0
Total	14,033,789			14,033,789

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY**
Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 4 –PMC BANK BALANCES AS AT 30TH JUNE 2018

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Madago Primary School	Cooperative	01141566719600	325	124,325
Magaoni Primary School	Cooperative	01141566599600	30,206	30,206
Makongeni Primary School	Cooperative	01141566618700	186.50	187.00
Ngori Primary School	Cooperative	01141566419700	963.55	964.00
Gazi Primary School	Cooperative	01141565893100	53,377.50	53,378.00
Msambweni Primary School	Cooperative	01141566595400	654,010.5	65,118.00
Mafisini Primary School	Cooperative	01141566712800	15,360	15,360
Vukani Primary School	Cooperative	11415667155000	200	200
Shamu Primary School	Cooperative	01141565893200	5,238.50	125,928
Kingwede Primary School	Cooperative	01141565893300	1,505,801.05	199,352
Maphombe Primary School	Cooperative	01141566729700	325	84,325
Masindeni Primary School	Cooperative	01141566730200	1,350,809	119,325
Milalani Primary School	Cooperative	01141566794800	325	174,724
Mwanjamba Primary School	Cooperative	01141565807100	0.50	649,463.00
Mabatani Primary School	Cooperative	01141566899600	325	2,699,325
Darigube Primary School	Cooperative	01141566991600	225	2,700,000
Marigiza Primary School	Cooperative	01141566899500	325	2,599,325
Mwamambi Primary School	Cooperative	01141565895000	1,350,286.50	75,563.00
Msambweni Secondary School	Cooperative	01141566596600	1,580.25	1,193.00
Dori Secondary School	Cooperative	01141566319100	829,764.50	1,065,152
Magaoni Base Secondary School	Cooperative	01141566731000	75	75
Gombato Secondary School	Cooperative	01141566989100	325	2,799,325
Msambweni Youth & Opportunity Centre	Cooperative	01141566712900	11,001,978	171,504
Kadhis Court	Cooperative	01141566597100	12,413.50	500,231
Gazi Chiefs Office	Cooperative	01141566768000	27,773	1,499,325

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Sports	Cooperative	01141565728800	1,306.10	49,256
Msambweni Constituency Boreholes	Cooperative	01141566611500	2,588,692.75	2,588,692
Constituency Office	Cooperative	01141565890100	1,277.50	182,311
Kinondo Secondary School	Cooperative	01141195331000	76,223.70	76,223.70
Bongwe Secondary School	Cooperative	01141565702500	8972.50	8,912.50
Babla Diani Secondary	Cooperative	01141566196900	979.70	90,979.70
Ramisi Secondary School	Cooperative	01141566991700	14,294.75	598,777.75
Mwabungo Primary School	Cooperative	01141566123100	12,572.50	12,572.50
Bongwe Primary School	Cooperative	01141566728100	1,025	800,025
Mwakigwena Primary School	Cooperative	01141566795500	1,115,934	264,842
Mabokoni Primary School	Cooperative	01141566417100	172	172
Munje primary school	Cooperative	01141566731200	1,510,470	
Mwaroni primary school	Cooperative	01141566015200	1,500,009	
Duncan ndegwa primary school	Cooperative	01141566575100	3,599,325	
Magodi primary school	Cooperative	01141565890200	1,318,315.50	
Muhaka primary school	Cooperative	01141565907400	588,893	
Mkwakwani secondary school	Cooperative	01120195274300	2,399,325	
Mivumoni chiefs office social hall	Cooperative	01141566838200	663,980	
Total			32,243,967	20,428,979.90

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) –
MSAMBWENI CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2018

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Unsurported use of goods and services amounting to kshs. 8,917,000.00	Attached are the payment schedules supporting the committee expenses	FAM – Peter M. Mwaighonda	Resolved	14days
2.0	Transfer to other government entities with respect to payments for works not done	The project manager (sub county works officer) directed the contractors to resume sites to complete pending works	FAM- Peter M. Mwaighonda	resolved	14days

